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DIRECTORATE OF
INTELLIGENCE

Central Intelligence Bulletin

State Dept. review completed

Secret

14 August 1968

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Approved For Release 2003/05/29 : CIA-RDP79T00975A011800120001-7

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No. 0234/68
14 August 1968

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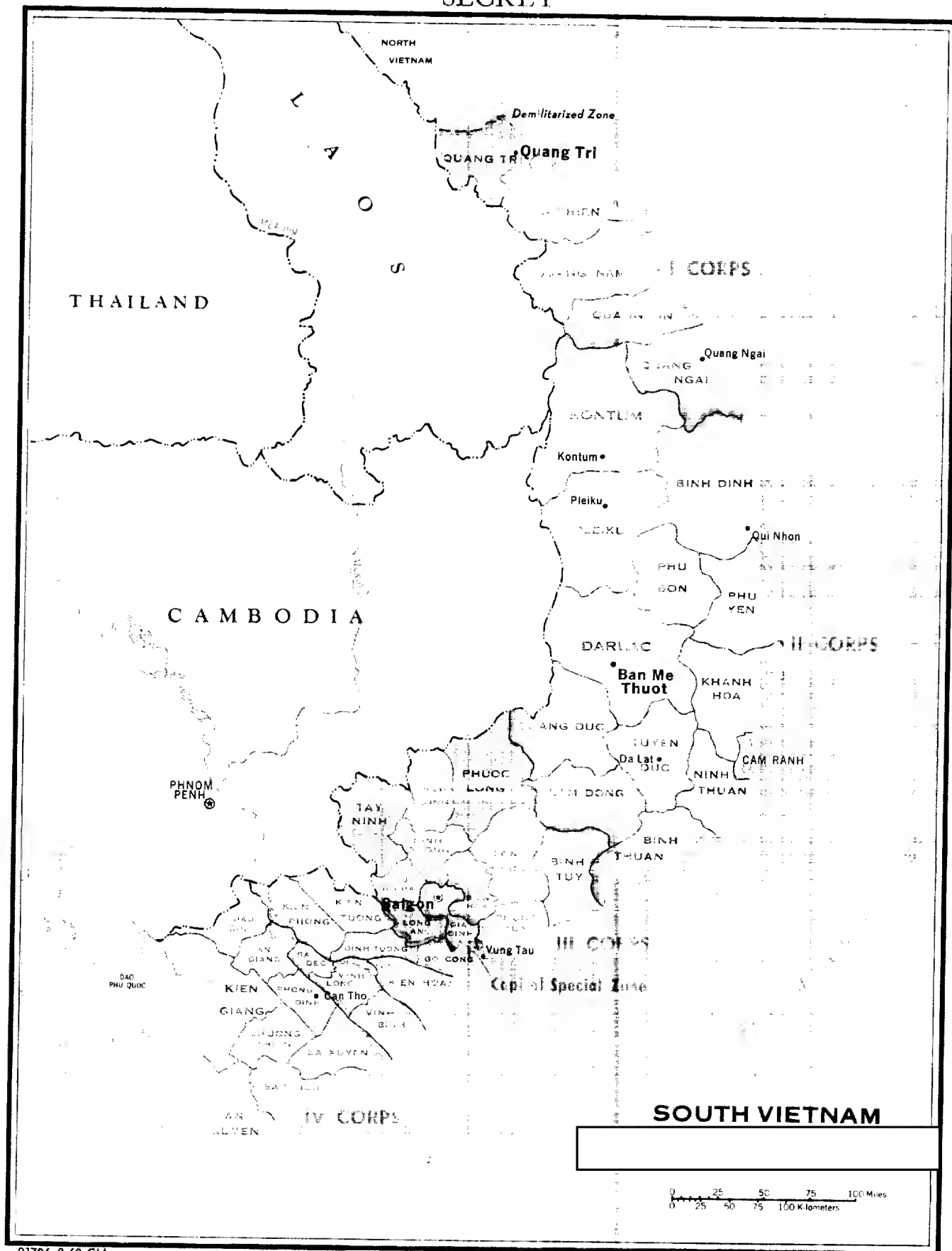
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South Vietnam: Military activity has picked up considerably during the past two days in the provinces around Saigon but remains light and sporadic elsewhere.

A series of battles in Long An Province which killed more than 100 Communists marked the heaviest fighting of the past month in this area. Elsewhere in III Corps, an estimated enemy battalion attacked an outpost in Tay Ninh Province and shellings were reported in several provinces.

Adding to indications of an impending enemy offensive are recent reports from [] prisoners referring to planned attacks during the period 18 to 20 August. Among the specific targets cited were Quang Tri city in the far north, Ban Me Thuot in the highlands, Phuoc Long Province in northern III Corps, and Saigon. [] in a central coastal province referred to plans for an "uprising" on the 19th, and a prisoner alleged that a nationwide offensive is scheduled for the 20th.

Although it is questionable that the timing of a renewed offensive would be revealed below the top command echelons, these reports may indicate that Communist troops are being told to complete preparations for early action. []

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Czechoslovakia: The Czechoslovak - East German talks at Karlovy Vary apparently did little to improve relations between the two countries.

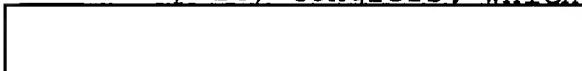
Ulbricht's chilly reception contrasted sharply to the rousing welcome accorded Yugoslavia's Tito in Prague last weekend. It appears that Dubcek and Ulbricht merely recited their respective views. The brief concluding communiqué was uninspiring.

By contrast, Dubcek's meeting with Tito was exceptionally cordial, and concluded with a joint pledge to seek improved relations. The Yugoslavs moreover proposed to assist Prague with some of its economic problems, such as labor supply and construction.

Czechoslovak National Assembly President Smrkovsky stated that the discussions with Ulbricht dwelt on the future and emphasized economic relations. On the latter topic, Ulbricht publicly intimated that there had been differences in outlook.

Ulbricht also implied that Prague had acquiesced in the "conditions" he has repeatedly said the West Germans must meet before any Eastern European country could establish diplomatic relations with them.

Prague will receive Rumanian party chief Ceausescu on 15 August. Dubcek has announced that no further bilateral consultations with the Bratislava participants are planned prior to the Czechoslovak party congress, which opens on 9 September.



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West Germany - USSR: The West German Government continues to back plans for several activities in West Berlin later this year despite the threat of new Communist harassments.

The first will be the annual meeting of Germans formerly resident in areas now controlled by the USSR, Poland, and Czechoslovakia, which will convene on 29 August. Next, in November, will come the national party convention of the Christian Democrats (CDU) and a Bundestag committee workweek.

The Soviets and East Germans usually limit their responses to protests and propaganda about the "revanchist" or "illegal" nature of such activities. During the last year, however, they have shown a greater sensitivity to events which reflect Bonn's ties to West Berlin, and, because of the Czechoslovak situation, their threshold of reaction may be lower than usual. One official of the Soviet Embassy in East Berlin asserted that a CDU convention may be greeted by "sonic booms," a form of harassment used during the last plenary meeting of the Bundestag in Berlin in April 1965.

Although Communist restrictions on ground access routes to Berlin this spring are still fresh in mind, West German and West Berlin leaders argue that more would be lost by canceling these activities than by going through with them. Bonn, however, has canceled a Bundestag workweek slated for September, ostensibly because of a conflict in scheduling. It may also decide against a defense committee meeting at the time of the November workweek.

The Western Allies are inclined to go along with Bonn's decisions on these matters on the ground that they fall within the realm of "normal" West German activity in West Berlin.

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Thailand: Disquiet over the future course of US policy in Southeast Asia appears to have surfaced at the recent Association of Southeast Asian Nations (ASEAN) talks.

A well-placed Thai official claims that informal discussions at last week's ASEAN ministerial meeting in Djakarta focused on the impact of the South Vietnam war on regional security. He told a US Embassy official that the five ASEAN members agreed that no matter what happened in Vietnam, the US would eventually "withdraw" from the region and that the Communist threat would increase.

The Thai official indicated that no substantive decisions were made at Djakarta, but he was clearly pleased that the members had come to share Bangkok's view that ASEAN's goal should be to work out both joint and national programs to confine Communism to Vietnam. The foreign ministers also agreed to hold additional informal talks as Vietnam developments warrant.

Bangkok is almost certainly interpreting the Djakarta talks in a way that will underline its view that a US withdrawal from South Vietnam would have grave consequences for all of Southeast Asia. At the same time, the Thai believe that a continuing US commitment in the area is far from assured and that the time has come for the regional non-Communist nations to seek their own solutions. Bangkok is under no illusions, however, about the difficulties it faces in getting nations such as Indonesia and the Philippines to translate into action their growing concern over future security arrangements in the area.

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Korea: South Korean troops have killed ten North Koreans in four encounters along the Demilitarized Zone since 10 August.

The latest incidents, in which only one South Korean soldier was wounded, follow a rash of fire fights between South Korean soldiers and North Korean infiltrators during the first week of August. About 26 infiltrators have been killed and two captured near the zone this month, the highest loss rate thus far in 1968. South Korean security measures--including the recently completed anti-infiltration fence, aggressive patrolling, and the introduction of night-detection equipment--are making it more difficult for the North Koreans to infiltrate successfully.

Equipment found in the areas of the encounters includes cameras, binoculars, and a telescope, which suggests that the intruders were on missions to observe and photograph obstacles and installations near the zone.

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Indonesia: The Indonesian Army appears to have dealt a severe blow to the Communist organization in southeast Java where the party had established a haven and was conducting a terrorist campaign.

East Java commander General Jasin claimed in a press briefing on 9 August that 12 members of the party's central committee and 12 members of the East Java regional committee were captured in the course of the army's May to July campaign. Some 850 suspects were arrested.

The army operation began shortly after a late May meeting of the politburo in the haven. This meeting may largely explain the presence of so many top Communist leaders in the area, including the party chairman and his deputy. The party, now deprived of almost all its experienced pre-coup leaders, may be forced to curtail both political and terrorist activity until a new central leadership coalesces.

The army, however, is aware that the Communist organization is well developed in East Java as well as in Central Java, and is concerned about the possibility of new outbreaks elsewhere.

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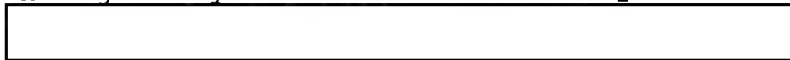
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Burma: Heightened insurgent activity in north-east Burma may reflect a new Communist effort to establish a base area.

In a series of armed contacts since last June, Burmese Communists allied with ethnic insurgents have destroyed bridges and inflicted heavy casualties on Burmese Army forces. One of the encounters, believed the largest between insurgents and government troops in recent years, reportedly involved an insurgent force of 600 men and resulted in nearly 50 Burmese fatalities.

The attacking forces appear to be elements of the White Flag Communists' "Northeastern Command," an ethnically mixed group which began operating in the area along the Chinese border early this year. These elements have on occasion retreated into China and apparently have received some limited Chinese assistance.

The destruction of bridges leading to Burmese towns on the Chinese border reportedly has virtually suspended motor traffic. The presence of the Burmese Army vice chief of staff to direct antiguerrilla operations reflects the seriousness with which Rangoon views the situation. A sustained insurgent campaign against transportation routes in this area of difficult terrain could isolate Burmese border towns and greatly inhibit Burmese Army effectiveness.

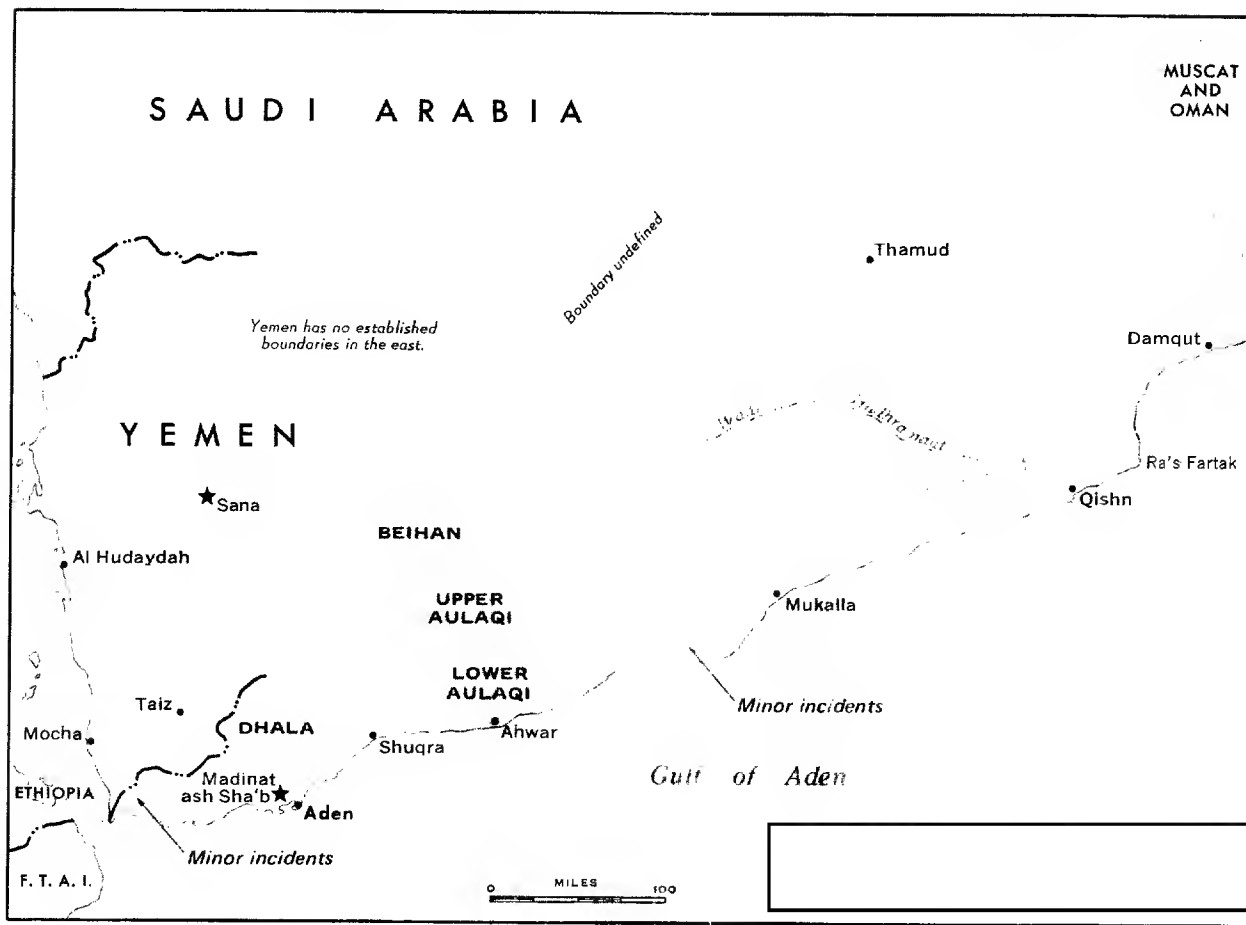


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Dissident Areas in Southern Yemen



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Southern Yemen: Three dissident areas, primarily in the north, have been neutralized by the army, but exiled groups are planning further outbreaks.

The most important areas of tribal rebellion, primarily in the south, appear to be quiet after reinforced army units fought off attacks last week. The government claims that the rebels suffered heavy losses in men and weapons, including artillery. Minor incidents were reported in the eastern and western areas.

The National Liberation Front government continues to blame the "Saudi-British-American conspiracy" and condemns stooges "blinded by CIA gold." Despite such inflammatory propaganda, Aden remains quiet, and officials show little rancor in talks with US representatives.



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Rebellion is endemic in the tribal areas of Southern Yemen. [redacted] [redacted] the problems of logistics and tribal politics make the area a quagmire for outside assistance. [redacted]

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Congo (Brazzaville): Political maneuvering continues in Brazzaville, with the army increasingly prominent in the balance of power.

The jockeying for position appears to center on the powerful new National Council of the Revolution. The leftist-extremists, virtually excluded from other positions of power, reportedly are pushing hard for strong representation in the new institution. The delay in promulgating its membership, initially promised for 9 August, is further evidence that political infighting is stalling its formal organization.

The army, which controls the two most important cabinet portfolios, will strongly influence the final make-up of the council. The army, in apparent cooperation with Civil Defense Corps leaders, has ordered the disarming of all other paramilitary forces. This action seems directed primarily at armed units of the party's radical youth group, which in the past have been least subject to government control and the most responsive to the will of the extremists.

Radical elements of the Civil Defense Corps appear to have been neutralized, for the time being at least, by absorption into the regular armed forces. These troops reportedly will be enrolled in the gendarmerie school and ultimately will become regular gendarmes.

President Massamba-Debat appears to retain power at the sufferance of the army, which is probably more in tune ideologically with him than with any other prominent local politician.

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Argentina: President Ongania reportedly plans to announce this week that all three military service chiefs will retire by the end of the year.

The move, which had long been anticipated, was expected to produce a confrontation between Ongania and army commander in chief General Julio Alsogaray, the leader of the so-called "liberal" faction in the government. Alsogaray, whose brother Alvaro resigned last week as ambassador to the US, has reportedly agreed to accept retirement without a struggle, however, thus opening the way for Ongania to appoint a general more strongly in his own camp.

It is also possible that Ongania will remove some members of the opposing "nationalist" faction in the government by the end of the year to balance Alsogaray's retirement. High on the eligible list is Interior Minister Borda, a former Peronist, who is anathema to many leading military officers.

By maintaining an equilibrium between the two factions in the government and by retaining military support, Ongania hopes to be able to continue the reform programs that both factions have opposed at various times.

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Uruguay: Scattered student disorders protesting government raids on the national university are continuing.

The security forces are performing efficiently but Communist plans for renewed demonstrations and a general work stoppage on 14 August may result in increased violence.

President Pacheco has taken advantage of the riots to ask the senate's permission to sack the university's left-leaning rector and his central council. Many legislators, however, hesitate to approve an action that could be construed as interference with the university's autonomy, although they generally favor Pacheco's get-tough policy.

The recent rioting has shaken Uruguay's students out of their lethargy, and discontent over poor economic conditions and government austerity measures is likely to produce additional student protests no matter who heads the university council.

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USSR-Brazil: Eight Soviet technicians are now in Sao Paulo State surveying shale deposits.

Their study, which will determine the feasibility of constructing a plant to process shale in order to obtain oil, gas, and such by-products as detergents, solvents, and insecticides, was contracted for last January by a private Brazilian company, Companhia Industrial de Rochas Betuminosas. Travel expenses, salaries, and the cost of the Soviet report are to be paid through the Soviet-Brazilian clearing account.

According to company officials, the final contract, if signed with the USSR, would provide a \$100-million credit repayable in ten years at three percent interest annually, with a four-year grace period. The USSR would supply all the machinery and equipment, supervise the installation of the plant, lay a pipeline to supply gas to Sao Paulo and nearby cities, and train Brazilian engineers in the USSR.

The Soviets previously have examined the project, but the company's poor financial position seemed to prevent successful negotiations. Brazilian Government approval will be necessary to proceed with such an arrangement. Petrobras, the state petroleum enterprise, is already developing other shale deposits. [REDACTED]

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Greece: Prime Minister Papadopoulos escaped injury in an assassination attempt upon him early yesterday. Security police have arrested an army lieutenant, who is a deserter, but authorities believe others were involved. [They charged that the conspirators are "fascists," not Communists.] This is the first reported attempt on the life of a junta member since the April 1967 coup, and will probably result in even stricter watch over antijunta elements as the plebiscite scheduled for 29 September approaches. [REDACTED]

* * * *

Bolivia: The submission of resignations by the armed forces high command on 12 August was a scheme agreed on by President Barrientos and armed forces commander General Ovando to oust army chief of staff General Marcos Vasquez. Vasquez, who has figured prominently in coup rumors in recent months, is being closely watched to prevent him from gathering support among young officers for a move against the government. General Ovando's role in this maneuver indicates that he still considers it in his best interest to back Barrientos. [REDACTED]

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[Mexico: A mass demonstration in the capital last night may have restored momentum to the student strike. Thousands of students turned out for the peaceful march in spite of such deterrents as chronic organizational problems, end of school-year exams, and general lack of public sympathy. Police brutality and violated university autonomy along with other long-standing grievances have, however, proved highly charged issues that defy easy solution. They provide a touchstone for further possible student outbursts. [REDACTED]

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